

AR49

# Scurry-Rainbow Oil Limited



*Tenth*  
A N N U A L  
R E P O R T 1963







**ON THE COVER:**

Drilling rig on location during production test of Mobil-Scurry-Pembina River A6-15 gas well, located in the Pembina River area of Alberta.

Scurry-Rainbow holds a 22.22% working interest in this well and in 24,000 acres of petroleum and natural gas rights in this area.

All references to "Scurry-Rainbow" and "the Company" in this report, except where the context otherwise indicates, refer to Scurry-Rainbow Oil Limited and its subsidiary companies.

# Scurry-Rainbow Oil Limited

539 EIGHTH AVENUE S.W., CALGARY, ALBERTA

INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ALBERTA  
FEBRUARY 5, 1954

## BOARD OF DIRECTORS

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JOHN F. LANGSTON	PETER MACKENZIE
E. GEORGE MESCHI	LAWRENCE C. MORRISROE
JOHN SCRIMGEOUR	FRANK E. TAPLIN, M.B.E.

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M. E. JONES, Q.C. <i>Secretary</i>	

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PRUDENTIAL TRUST COMPANY LIMITED  
*Calgary, Toronto, Vancouver  
Canada*

THE CANADIAN BANK OF COMMERCE TRUST COMPANY  
*20 Exchange Place, New York, N.Y.*

## STOCK EXCHANGES

AMERICAN STOCK EXCHANGE  
VANCOUVER STOCK EXCHANGE

## AUDITORS

PRICE WATERHOUSE & CO.  
*Calgary, Alberta*

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## ANNUAL MEETING

*The 1964 annual meeting of shareholders will be held Saturday, March 7, at 10:00 a.m., at the Head Office of the Company, 539 Eighth Avenue S.W., Calgary, Alberta, Canada. A formal notice of this meeting, together with proxy statement and form of proxy, is being mailed with this report. All shareholders who are unable to attend the meeting are urged to sign and return their proxies as soon as possible.*



## To the Shareholders

Your Board of Directors are pleased to present the Tenth Annual Report of Scurry-Rainbow Oil Limited. A summary of the Company's operations over the past ten years is graphically portrayed on page 5 of this report. The graphs clearly illustrate the outstanding growth record achieved by Scurry-Rainbow.

The highlights of the Company's activity and operations during the fiscal year ended September 30, 1963 are summarized below.

Net profit, after all charges including taxes, was \$1,040,000, the equivalent of 54¢ per share, an increase of 2% over the previous year.

Net oil and gas sales were \$3,845,000, resulting in a cash profit of \$2,279,000, the equivalent of \$1.19 per share, an increase of 13% over the previous year.

Net oil production was 1,502,000 barrels, equivalent to 4,115 barrels per day, an increase of 12% over the previous year. During the last month of the fiscal year the Company's production reached an all-time high of 4,535 barrels of oil per day.

Acquisition of Agawam Oil Co. Ltd., a wholly-owned Canadian subsidiary of United States Smelting Refining and Mining Company.

Acquisition of a 50% interest in Minerals Ltd.

Acquisition of a 51% interest in Plains Petroleums Limited.

Exploration, development and acquisitions added 20 net working interest oil wells and 2.7 net gas wells to Scurry-Rainbow's production capacity during the year. Scurry-Rainbow now holds varying interests in 845 oil wells and 72 gas wells in Western Canada (*see well summary on page 12*).

Scurry-Rainbow holds a 13⅓% carried interest in over 422,000 acres in the Wapiti Smoky and Cutbank River areas of Alberta (*see map on pages 8 and 9*) where industry exploration activity has been intensified.

On May 10, 1963, Scurry-Rainbow purchased from United States Smelting Refining and Mining Company its wholly-owned Canadian subsidiary (Agawam Oil Co. Ltd.) for a cash consideration of \$4,167,430, plus a 3% gross overriding royalty on approximately 750,000 acres in the Province of Saskatchewan and a 1½% gross overriding royalty on approximately 1,100,000 acres also located in this Province.

For this consideration, Scurry-Rainbow acquired the following:

- (1) all development contracts previously granted by the Company and its subsidiaries, on approximately 1,200,000 mineral acres in the Province of Saskatchewan;
- (2) varying working interests in 27 producing oil wells, the equivalent of 12.65 net oil wells; and varying royalty interests in 14 producing oil wells;
- (3) 50% of the outstanding shares of Minerals Ltd. (a company holding a 20% undivided interest in over 750,000 acres of mineral titles in Saskatchewan, a 20% working interest in 19 producing oil wells, and a 2½% royalty interest in 240 producing oil wells, all located within the Province);
- (4) 58,739 shares of the capital stock of Scurry-Rainbow Oil Limited.



This purchase consolidated the Company's holdings in the Province of Saskatchewan and Scurry-Rainbow now holds varying interests in over 2,250,000 acres of petroleum and natural gas rights in this Province. The main producing area of Southeastern Saskatchewan is contained within a block of approximately 5,680,000 acres where the major drilling and production activity of that Province is concentrated. Scurry-Rainbow owns over 760,000 net acres, equivalent to 13.5% of the land contained within this area (*see insert map*).

The purchase of Agawam Oil Co. Ltd. also resulted in the termination of all litigation arising out of the development contracts, details of which were outlined in previous Annual Reports. This litigation was not only costly and time-consuming, it also hindered the development of the Company's acreage in Saskatchewan. Since the acquisition of Agawam and the termination of these lawsuits, drilling and exploration on the Company's acreage in Saskatchewan has been intensified, and the Company participated in the drilling of 43 wells during the fiscal year. In addition to its active participation in drilling, the Company contributed by way of farmout options or dry hole contributions to the drilling of a further 19 wells in this Province, all of which were direct offsets to Company acreage. The results have been most encouraging and are outlined in greater detail in the Exploration and Development section of this report.

Early in 1963, the Company acquired 86% of the issued and outstanding capital stock of Plains Petroleums Limited and a substantial share interest in Calalta Petroleums Ltd. and Phillips Oil Company Limited. These three companies had been active in the acquisition and exploration of acreage in the foothills belt of Alberta where they jointly held varying interests in approximately 380,000 acres of petroleum and natural gas rights. In order to consolidate their operations, these companies entered into an agreement which was approved by the shareholders at Extraordinary General Meetings held on June 5, 1963 which had the effect of amalgamating the companies. Scurry-Rainbow, through its various equities in these three companies, now holds a 51% interest in Plains Petroleums Limited, the surviving company, and, through this interest, has augmented its land holdings in the highly potential foothills belt of Alberta.

Since the year end, Scurry-Rainbow acquired an undivided one-sixth interest in over 6,000,000 acres of petroleum and natural gas rights in New South Wales, Australia. This acreage lies approximately 120 miles southeast of the Moonie oil field, Australia's first commercial oil discovery. Preliminary exploratory work is currently in progress on this acreage.

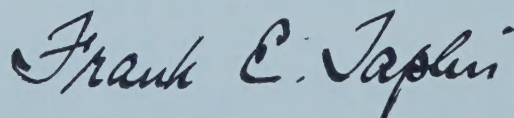
On July 16, 1963, the late President of the United States proposed to the Congress an Interest Equalization Tax (H.R. 8000) which would subject stocks or other securities of foreign corporations to a 15% Equalization Tax which would be placed on the purchase price of such securities when acquired by United States persons. If enacted as recommended, this tax would have been applied to the shares of your company when acquired by United States persons from persons other than United States persons. Your company employed counsel to appear in Washington before the House Ways and Means Committee in opposition to this proposal. At that time, counsel recommended to the Committee an amendment which would exclude Canadian companies which were owned 50% or more by United States persons. As a result of the representations made including the proposal submitted on behalf of the Company, on December 6, 1963, the House



Committee on Ways and Means voted to amend the bill to provide that a Canadian corporation would not come within the meaning of the act with respect to any class of its stock which was principally traded on any United States stock exchange recognized by the Securities and Exchange Commission if the principal market for its stock during the calendar year 1962 was on such United States stock exchange and if more than 50% of its stock was held of record by United States persons on July 19, 1963. The shares of Scurry-Rainbow Oil Limited are listed on the American Stock Exchange. Since the Company qualified for the exclusion, your Management is pleased to report that on January 6, 1964, the American Stock Exchange advised that the shares of Scurry-Rainbow Oil Limited are exempt from the proposed 15% Interest Equalization Tax. This exemption places Scurry-Rainbow Oil Limited in a preferred position from the standpoint of American and Canadian investors who may wish to participate in the Western Canadian oil industry.

The Board of Directors reported in the Company's Interim Report, dated May 27, 1963, that the Management of the Company had been approached by several major oil companies and independent groups with a view towards merger or acquisition of the Company's assets. At that time, preliminary discussions and negotiations had been conducted. Since that time, negotiations were conducted with Central-Del Rio Oils Limited and a definitive plan for merger was submitted to the Taxation Division of the Department of National Revenue in Canada for a ruling. As a result of the adverse tax opinion received following this submission, these negotiations were terminated. Management believes, however, that in order to be competitive in the oil industry it is necessary to grow and expand. For this reason, Scurry-Rainbow has maintained a strong cash position, excellent banking relations, and is recommending at the forthcoming Annual Meeting that the Company's authorized capitalization be increased from 3,600,000 shares of a par value of \$3.50 to 7,500,000 shares of a par value of \$3.50. With this additional authorized capital, Scurry-Rainbow will be in a position to take advantage of those opportunities which, in the opinion of Management, will contribute to the further growth and expansion of the Company.

The Board of Directors would like to take this opportunity to express sincere appreciation for the continued interest and support of its shareholders and, at this time, wishes to thank the Company's employees for their loyal support and co-operation during the past year.



Chairman of the Board.

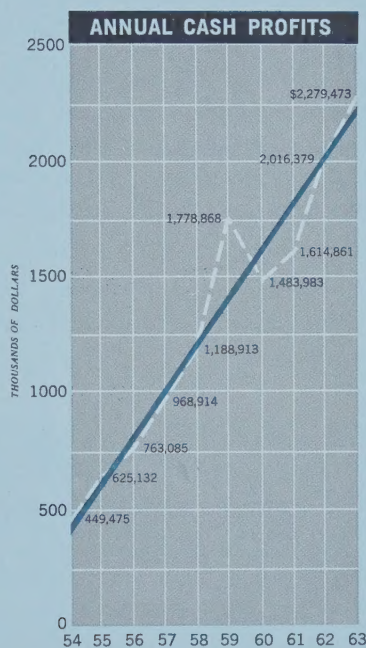
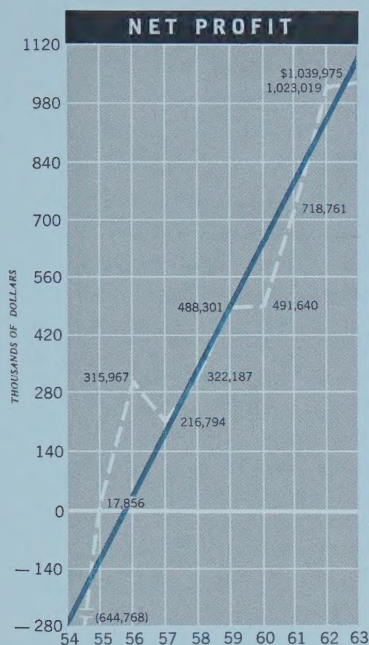


President.

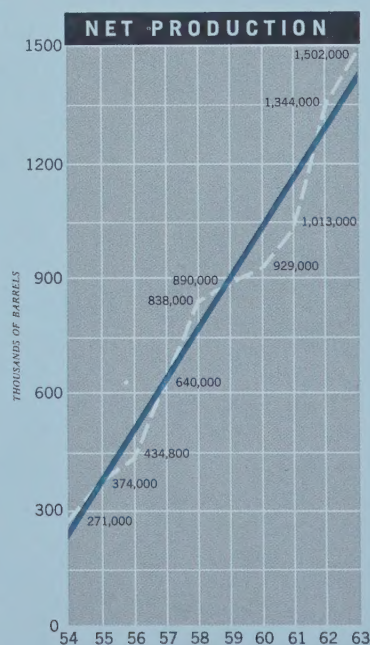
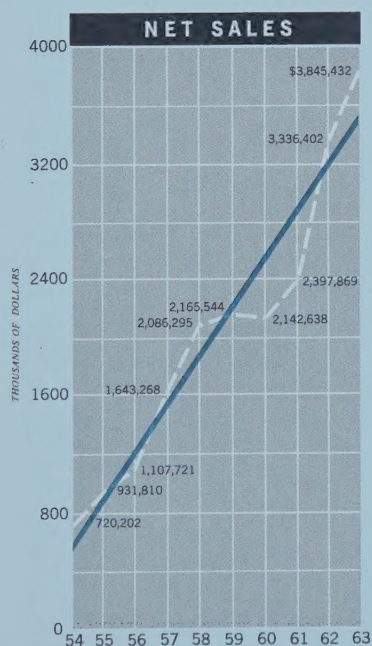
Calgary, Alberta, Canada.  
February 1, 1964.



# TEN YEAR GRAPHIC ILLUSTRATION of the COMPANY'S GROWTH



--- ACTUAL  
— TREND LINE





## FINANCIAL

1963, the tenth year of the Company's operations, was again a year of record achievement with new highs in revenue, cash income and net profit recorded during the fiscal year ended September 30, 1963. Higher depletion, depreciation and extraordinary expenses due to the acquisition of Agawam Oil Co. Ltd. and Plains Petroleums Limited, however, affected the Company's net profit which was only marginally higher than the previous year. The major extraordinary expenses referred to above are comprised of increased interest on new bank loans obtained for the acquisition of Agawam and the absorption of general and administrative expenses incurred by Agawam and Plains; these expenses have now been eliminated. The results of the year's operations are summarized below, with comparative figures for the previous year shown in parentheses.

Scurry-Rainbow's gross revenue was \$3,992,517 (\$3,517,796) and after deducting production, general and administrative expenses, interest on long term debt and taxes on income, cash income was \$2,279,473 (\$2,016,379). The net profit after all charges including depletion, depreciation and such variables as dry hole costs, abandoned properties and taxes, was \$1,039,975 (\$1,023,019), an increase of 2%. Based on the 1,909,201 shares outstanding at the year end, the earnings equalled 54¢ per share (53¢ per share).

As at September 30, 1963, cash and Government of Canada bonds totalled \$3,445,233 (\$2,820,972). The Company also has a Letter of Commitment from The Royal Bank of Canada for a \$3,000,000 line of credit which may be exercised at any time up to June 1, 1965. Working capital was \$832,829 (\$777,431) after providing for the repayment of long term debt of \$2,597,778 (\$2,103,680) due within one year.

### Scurry-Rainbow Oil Limited and Subsidiary Companies

#### CASH FLOW

FOR THE YEAR ENDED SEPTEMBER 30, 1963

*We received from:*

Sales of oil and gas .....	\$ 3,030,936
Royalty income .....	814,496
Other sources of income .....	147,085
	3,992,517

*We paid out for:*

Production expenses .....	\$ 611,198
Administrative and general expenses .....	665,437
Interest on long term debt .....	436,409
	1,713,044
Total funds from operations .....	2,279,473

*We received from:*

Bank loans .....	7,496,015
Sale of Company stock .....	516,674
	8,012,689
Total funds received .....	10,292,162

Add: Working capital at September 30, 1962 .....

777,431

Total funds available .....

11,069,593

*We disposed of funds for:*

Reduction of long term debt .....	2,751,001
Exploration and development .....	1,606,945
Acquisition of property and equipment .....	713,266
Acquisition of Agawam Oil Co. Ltd. ....	4,183,646
Acquisition of shares in other subsidiary companies .....	772,191
Other expenditures .....	209,715
	10,236,764

Working capital at September 30, 1963 .....

\$ 832,829



## EXPLORATION AND DEVELOPMENT

Scurry-Rainbow has met with a very high success ratio in the drilling of exploratory and development wells on Company acreage during the past year. A total of 100 wells were drilled, in which the Company holds varying interests, resulting in 47 oil wells, 6 gas wells, 3 water injection wells and 44 abandonments. Of this total the Company contributed its proportionate share of the drilling costs of 65 wells and the remaining 35 wells were drilled at no direct cost to the Company. Thirty-one of the 65 wells were completed as oil wells, one of which was a significant oil discovery; 4 were completed as gas wells; 3 wells were water injection wells and 27 wells were abandoned. During this period, 38 of the 100 wells were drilled in British Columbia, 17 in Alberta, 43 in Saskatchewan and 2 in Manitoba.

In addition to the direct participation outlined above, the Company contributed indirectly to a further 27 wells through farmout options and dry hole contributions; all of these wells were direct offsets to Company acreage and resulted in 4 oil discoveries and 23 abandonments. The enclosed map of Southeastern Saskatchewan shows the density of the Company's acreage throughout the entire area. Since the acquisition of Agawam, farmouts, options and dry hole contributions have become an important phase of the Company's exploration policy in Saskatchewan and it is Management's intention to pursue this policy as it minimizes the risk and expenditures normally incurred in extensive exploration programs.

The highlights of the exploration and development activity affecting Scurry-Rainbow's acreage are briefly summarized by Provinces.

### BRITISH COLUMBIA

The Company participated in the drilling of 19 development wells in the Boundary Lake field, of which 13 were completed as oil wells and 6 were abandoned. As of September 30, the Company owned a 5% working interest in 134 oil wells and 4 gas wells, and a 9.5% working interest in 3 oil wells in this field. Inasmuch as the field limits have now been delineated, the working interest owners are currently conducting negotiations with a view to gas gathering and unitization. In conjunction with the unitization it is proposed to institute a pressure maintenance and secondary recovery program which will greatly increase ultimate oil recovery from this field.

Scurry-Rainbow holds a 22% working interest in 54,000 acres of petroleum and natural gas rights in the Peejay area on which 8 oil wells and 3 gas wells were completed as of September 30,

1963. Three wells were drilled during the fiscal year, resulting in one oil well, one gas well and one abandonment. Production from the Peejay field is being obtained from the prolific halfway sands. Pipeline connections to this field have now been completed and plans for unitization and pressure maintenance are now being finalized in order to obtain maximum operating and production efficiency.

Fourteen other wells were drilled at no cost to the Company on acreage in British Columbia where Scurry-Rainbow owns varying net carried and royalty interests. Four of the wells were completed as oil wells, one was a gas well and 9 were abandoned.

At September 30, 1963, Scurry-Rainbow held varying interests in 150 oil wells and 33 gas wells in British Columbia.

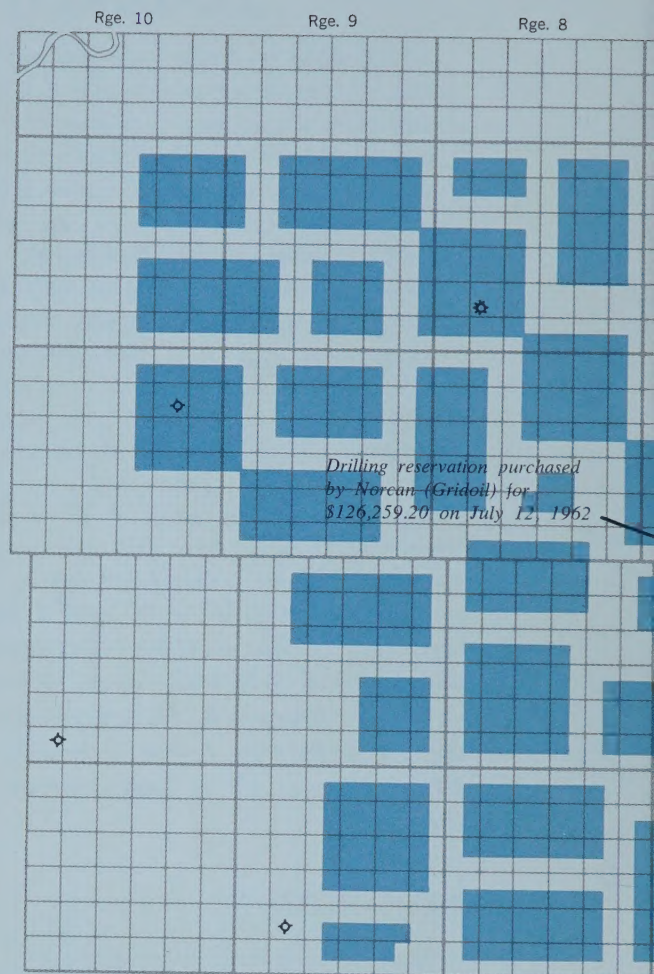


## Map of the WAPITI SMOKY and CUTBANK RIVER AREAS of ALBERTA

### ALBERTA

Seventeen wells were drilled in the Province of Alberta in which the Company held varying interests. Six of these wells were completed as oil wells, 4 as gas wells and 7 were abandoned. The Company drilled 2 wholly owned wells in the Sylvan Lake area which resulted in one Mississippian oil well and one Glauconitic sand gas well. Scurry-Rainbow held varying working or royalty interests in the other 15 wells which were drilled in various parts of the Province. In addition to these 17 wells, the Company participated indirectly in the drilling of 7 exploratory wells through farmout option agreements which resulted in 2 oil wells and 5 abandonments. All of these 7 wells were direct offsets to Company acreage. Further drilling is anticipated in the area of these 2 discoveries.

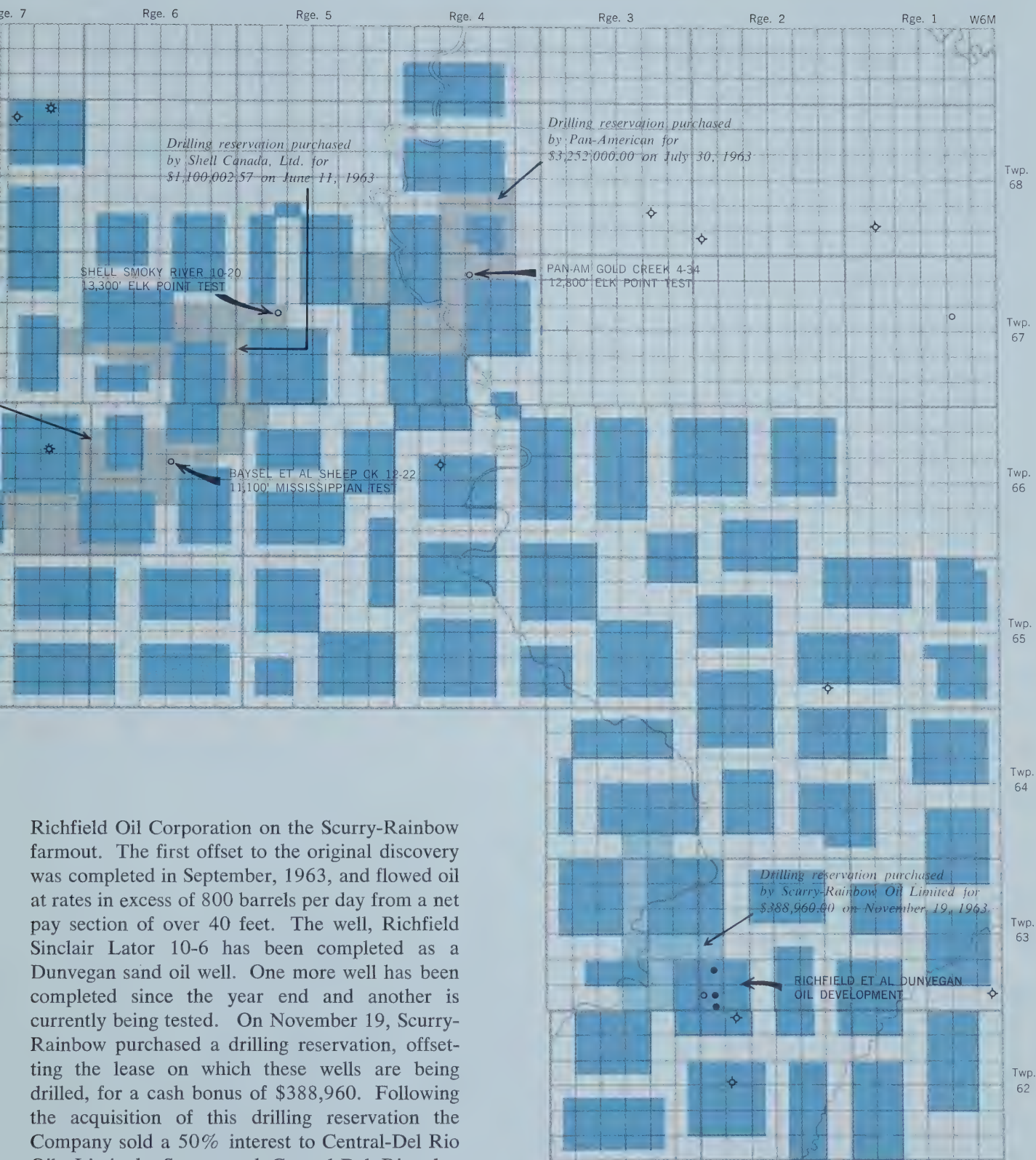
High prices paid for drilling reservations by major oil companies at recent Crown sales have highlighted Scurry-Rainbow's land spread in the Wapiti Smoky and Cutbank River areas of Alberta. Scurry-Rainbow owns a 13⅓% carried interest in over 422,000 acres under farmout to major oil companies. This area was spotlighted on June 11, 1963, when Shell Canada Limited paid over \$1,100,000 for a drilling reservation completely surrounded by Scurry-Rainbow acreage. On July 30, 1963, Pan American Petroleum Corporation paid over \$3,250,000 for another drilling reservation in this area which is almost completely surrounded by Scurry-Rainbow acreage. This was the highest price ever paid in Canada for a drilling reservation in the history of Western Canada's oil industry. The locations of these drilling reservations in relation to the Company's



acreage is shown on the map above. Since the year end, Shell and Pan American have commenced drilling on their respective acreage with both wells nearing total objective; the location of these wells is also shown on the map referred to above. The results of these 2 wells will be very significant to Scurry-Rainbow and to the industry as a whole, as the high prices obviously indicate a tremendous potential for this area. A third exploratory test in the same general area has been staked by Bailey Selburn Oil & Gas Ltd., the location of which is also indicated on the map. The interest which has been sparked by these wells and the high prices paid at these land sales will no doubt result in even greater activity in the immediate future.

In addition to the exploratory operations in the northern part of this block, a very significant development program has been commenced by





Richfield Oil Corporation on the Scurry-Rainbow farmout. The first offset to the original discovery was completed in September, 1963, and flowed oil at rates in excess of 800 barrels per day from a net pay section of over 40 feet. The well, Richfield Sinclair Lator 10-6 has been completed as a Dunvegan sand oil well. One more well has been completed since the year end and another is currently being tested. On November 19, Scurry-Rainbow purchased a drilling reservation, offsetting the lease on which these wells are being drilled, for a cash bonus of \$388,960. Following the acquisition of this drilling reservation the Company sold a 50% interest to Central-Del Rio Oils Limited. Scurry and Central-Del Rio plan to commence drilling on this acreage in 1964.

At September 30, 1963, Scurry-Rainbow held varying interests in 253 oil wells and 39 gas wells in the Province of Alberta.



## SASKATCHEWAN

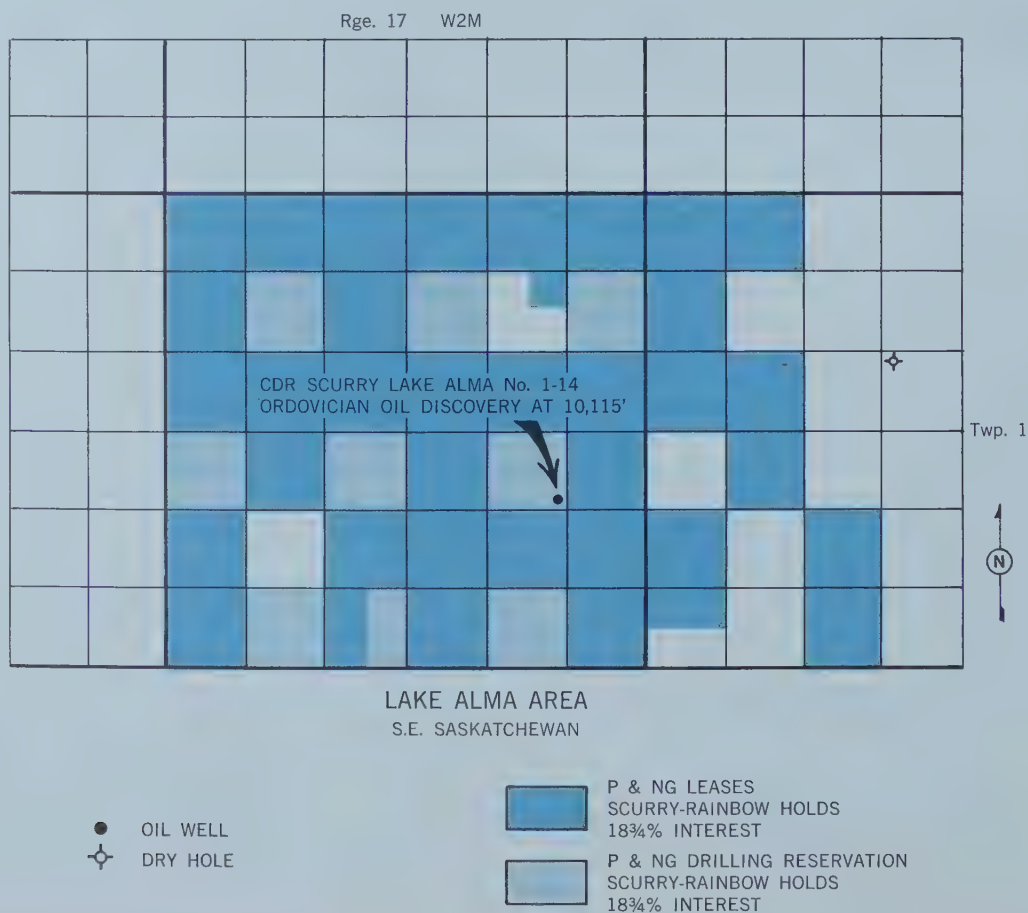
In 1963, Scurry-Rainbow accelerated its exploratory and development activity in the Province of Saskatchewan. A total of 43 wells were drilled on Company acreage, resulting in 22 completed oil wells, one salt water disposal well and 20 abandonments.

The Lake Alma Ordovician discovery was the major highlight of the Company's drilling activity. This exploratory well was drilled jointly by Central-Del Rio Oils Limited and Scurry-Rainbow under a farmout agreement from Socony Mobil Oil of Canada Ltd. Scurry-Rainbow earned an 18¾% interest in this well and in 22,000 acres of petroleum and natural gas rights, and also acquired a similar interest in a 5,400-acre drilling reservation in this area (see map). The well, CDR SR Mobil Lake Alma 1-14 was drilled to a total depth of 10,218 feet and was completed as an Ordovician oil well at a depth of 10,115 feet. This well is currently on production and is the first well in Saskatchewan to produce from the Ordovician formation on a paying basis. Re-evaluation of previous seismic work is being conducted as well as a small seismic program in the area. Further drilling is contemplated during

the coming year. This discovery is of particular significance to the Company by reason of its large land spread in this part of the Province.

Fifteen development wells were completed on Company acreage in Saskatchewan during the year. Seven of these wells were in the Workman area, 4 in the Queensdale area and 4 in the Nottingham area. The Company has varying working interests in these wells, the equivalent of 7.6 net wells. A further 8 wells in which the Company holds varying royalty interests were drilled in this part of the Province resulting in 6 oil wells and 2 abandonments. The Company also participated in the drilling of 18 exploratory wells in Southeastern Saskatchewan all of which were abandoned. However, a large number of these wells were drilled on acreage farmed out from other companies and Scurry-Rainbow earned additional acreage by participating in the drilling of these wells. Two major seismic programs were also completed during the year. The results of these seismic programs were very encouraging and drilling in these areas will commence in 1964.

At September 30, 1963, Scurry-Rainbow held varying interests in 401 oil wells in Saskatchewan.





## PRODUCTION

Scurry-Rainbow's net production of crude oil again reached an all-time high. The Company produced 1,502,000 barrels of oil in 1963. Daily average production was 4,115 barrels as compared with 3,680 barrels for the previous year. This represents an increase of 12% despite the limitations imposed on production for the first time in Saskatchewan and British Columbia. During the period from May through August these two provinces were subjected to their first restricted allowances on production and the Saskatchewan fields alone suffered as much as a 30% reduction. Scurry-Rainbow derives approximately 50% of its oil production from this Province. It is currently anticipated that these restrictions will not be reimposed in either Province in the foreseeable future. The ten-year graph shown below indicates the steady growth of the Company's oil production and also illustrates the production derived from royalty interests.

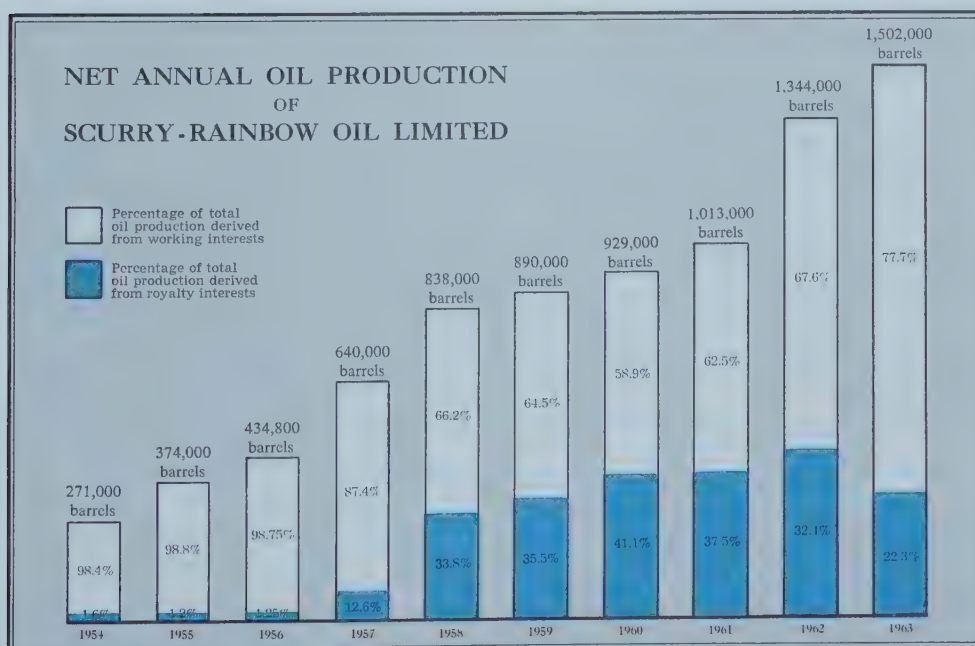
The net royalty income for the year was \$814,500, a decrease of \$190,000 from the previous year. This decline was a direct result of the royalty reserved to United States Smelting Refining and Mining Company as part of the purchase of Agawam Oil Co. Ltd. Working interest income from oil and gas sales, after payment of royalties, was up 30% and amounted to \$3,031,000, for a total oil and gas revenue of \$3,845,000. The

acquisition of Agawam Oil Co. Ltd. contributed very materially to the increase in working interest production. The Company is sharing in the production of 917 oil and gas wells in Western Canada, the details of which are summarized on the following page.

Working interest income from natural gas and its by-products, after payment of royalties, amounted to \$212,600, an increase of 37% over the previous year. Two new gas fields in which the Company owns varying working and royalty interests, are slated to go on production in 1964. Further proven gas reserves are scheduled for inclusion in existing gas units during the coming year which will provide for a further increase in the Company's natural gas revenue.

Negotiations are being finalized for the unitization and pressure maintenance of the Boundary Lake and Peejay oil fields in Northeastern British Columbia where the Company derives its working interest production in this Province. Engineering studies indicate that the institution of pressure maintenance will more than double the recoverable reserves in these fields.

The Canadian oil and gas producing industry enjoyed a healthy overall increase in 1963 and industry statisticians predict an even greater increase for 1964.





# Scurry-Rainbow Oil Limited

## OIL AND GAS WELLS

SEPTEMBER 30, 1963

	ROYALTY					
	OIL WELLS			GAS WELLS		
	SEPT. 30/63		SEPT. 30/62	SEPT. 30/63		SEPT. 30/62
	GROSS WELLS	NET WELLS	NET WELLS	GROSS WELLS	NET WELLS	NET WELLS
Alberta .....	126	24.64	26.55	15	2.92	2.60
British Columbia .....	—	—	—	6	.52	.48
Saskatchewan .....	345	148.54	212.63	—	—	—
Manitoba .....	27	.93	.93	—	—	—
TOTAL:	498	174.11	240.11	21	3.44	3.08

	WORKING INTEREST					
	OIL WELLS			GAS WELLS		
	SEPT. 30/63		SEPT. 30/62	SEPT. 30/63		SEPT. 30/62
	GROSS WELLS	NET WELLS	NET WELLS	GROSS WELLS	NET WELLS	NET WELLS
Alberta .....	127	50.87	47.23	24	6.57	4.37
British Columbia .....	150	8.75	8.04	27	3.73	3.25
Saskatchewan .....	56	40.90	21.54	—	—	—
Manitoba .....	14	8.37	12.12	—	—	—
TOTAL:	347	108.89	88.93	51	10.30	7.62

- NOTE: 1. A net royalty well represents the right to the equivalent of one-eighth of the production from one well, without deduction for development or operating expenses.
2. A net working interest well represents the full working interest ownership in one well or the ownership of fractional working interests in several wells aggregating the equivalent of one well.
3. Dually completed wells are counted as two wells.



# Scurry-Rainbow Oil Limited and Subsidiary Companies

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED SEPTEMBER 30, 1963

(with comparative figures for 1962)  
(Canadian dollars)

	1963	1962
Operating revenue:		
Sales, less royalties .....	\$3,030,936	\$2,331,796
Royalty income .....	814,496	1,004,606
Lease rental income .....	12,594	18,338
Consulting fee .....	—	50,000
Sundry .....	18,529	17,717
	<u>3,876,555</u>	<u>3,422,457</u>
Expenses:		
Production .....	611,198	430,887
Dry hole costs .....	241,044	62,709
Litigation costs .....	79,744	249,506
Directors' fees .....	6,825	4,800
Administrative .....	509,643	426,348
Other .....	65,544	53,113
	<u>1,513,998</u>	<u>1,227,363</u>
	<u>2,362,557</u>	<u>2,195,094</u>
Provisions for:		
Depletion .....	536,667	416,902
Depreciation .....	314,323	225,649
	<u>850,990</u>	<u>642,551</u>
	<u>1,511,567</u>	<u>1,552,543</u>
Other credits:		
Investment income .....	58,333	72,955
Damages awarded for oil drainage .....	74,300	—
Sundry .....	1,536	3,349
	<u>1,645,736</u>	<u>1,628,847</u>
Other charges:		
Interest on long term debt .....	436,409	289,819
Properties abandoned .....	128,117	259,599
Loss on sale of investments .....	18,207	(19,035)
	<u>582,733</u>	<u>530,383</u>
	<u>1,063,003</u>	<u>1,098,464</u>
Taxes on income .....	—	44,774
	<u>1,063,003</u>	<u>1,053,690</u>
Minority shareholders' interests in profits and losses of subsidiaries .....	23,028	30,671
<b>Net profit for the year</b> .....	<u><u>\$1,039,975</u></u>	<u><u>\$1,023,019</u></u>



## CONSOLIDATED BALANCE SHEET

(with comparative figures for 1962)  
(Canadian dollars)

## ASSETS

	1963	1962
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 3,188,508	\$ 2,412,947
Government of Canada bonds, at cost .....	256,725	408,025
Accounts receivable .....	504,535	448,453
Notes receivable .....	—	161,484
Inventories—		
Crude oil, at market .....	27,500	23,267
Materials and supplies, at cost .....	103,007	81,664
Prepaid expenses .....	88,583	64,763
	<u>4,168,858</u>	<u>3,600,603</u>
<b>OTHER ASSETS:</b>		
Reservation and drilling deposits .....	103,786	28,113
Advances and mineral taxes recoverable .....	43,224	41,821
Shares of Minerals Ltd., 50% owned, at cost .....	2,211,830	—
Shares of a subsidiary company not consolidated .....	10,000	10,000
Miscellaneous securities, at cost .....	228,400	207,208
	<u>2,597,240</u>	<u>287,142</u>
<b>CAPITAL ASSETS, at cost: (Note 1)</b>		
Petroleum and natural gas and other mineral interests—		
Producing royalty interests .....	827,068	704,969
Producing wells and related lease costs .....	10,346,646	7,868,908
Less —Accumulated depletion .....	(4,727,348)	(4,258,283)
Capped and suspended wells and related lease costs .....	875,739	774,701
Non-producing properties .....	16,575,120	14,641,800
Mining claims, non-producing .....	422,749	387,141
Production equipment .....	2,791,304	2,124,544
Other capital assets .....	1,673,471	1,653,000
Less —Accumulated depreciation .....	(1,590,107)	(1,288,030)
	<u>27,194,642</u>	<u>22,608,750</u>
<b>DEFERRED CHARGES:</b>		
Organization and share issue expense .....	235,596	235,596
Other .....	154,465	73,143
	<u>390,061</u>	<u>308,739</u>
<b>APPROVED ON BEHALF OF THE BOARD:</b>		
J. F. LANGSTON, Director		
L. C. MORRISROE, Director		
	<u>\$34,350,801</u>	<u>\$26,805,234</u>

AUDITORS

To the Shareholders of  
SCURRY-RAINBOW OIL LIMITED:

We have examined the consolidated balance sheet of Scurry-Rainbow Oil Limited and subsidiary companies as at September 30, 1963 and the consolidated statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.



# ET AT SEPTEMBER 30, 1963

figures for 1962)  
dollars)

## LIABILITIES

### CURRENT LIABILITIES:

	1963	1962
Accounts payable .....	\$ 724,486	\$ 616,495
Interest .....	13,765	13,453
Non-interest bearing debt .....	—	89,544
Long-term debt due within one year .....	2,597,778	2,103,680
	<u>3,336,029</u>	<u>2,823,172</u>

### LONG TERM DEBT:

Canadian bank loans at current rate of interest (secured), being repaid at the rate of \$211,450 per month .....	7,242,600	4,488,800
5½ % United States bank loan (secured), due November 30, 1964 (\$4,000,000 U.S.) .....	4,255,117	1,439,805
5 % Mortgage due January 1, 1970, repayable at the rate of \$3,750 per quarter .....	97,500	112,500
5½ % Notes repayable at the rate of \$35,000 per annum .....	105,000	420,000
	<u>11,700,217</u>	<u>6,461,105</u>
Less —Amounts due within one year .....	2,597,778	2,103,680
	<u>9,102,439</u>	<u>4,357,425</u>

### MINORITY SHAREHOLDERS' INTERESTS

in subsidiary companies .....	1,872,356	198,103
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### SHAREHOLDERS' OWNERSHIP:

Share capital—(Note 2)		
Authorized—3,600,000 shares of a par value of \$3.50 each		
Issued—1,976,983 shares .....	6,919,440	6,723,227
Capital surplus (Note 2) .....	10,674,700	10,207,394
Earned surplus, per statement attached .....	3,437,670	2,495,913
	<u>21,031,810</u>	<u>19,426,534</u>
Less —67,782 shares held by a subsidiary, at cost .....	991,833	—
	<u>20,039,977</u>	<u>19,426,534</u>

### LITIGATION (Note 3)

\$34,350,801

\$26,805,234

PORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the above consolidated balance sheet and related consolidated statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies as at September 30, 1963 and the consolidated results of operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
December 14, 1963

PRICE WATERHOUSE & CO.  
Chartered Accountants

# Scurry-Rainbow Oil Limited and Subsidiary Companies

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED SEPTEMBER 30, 1963  
(Canadian dollars)

Earned surplus at September 30, 1962 .....	\$2,495,913
Net profit for the year .....	1,039,975
	<hr/>
	3,535,888
Taxes on prior years' income .....	98,218
	<hr/>
<b>Earned surplus at September 30, 1963 .....</b>	<b>\$3,437,670</b>
	<hr/>

## NOTES TO FINANCIAL STATEMENTS

### 1. CAPITAL ASSETS:

It is the policy of the companies to capitalize as property costs geological and geophysical expenses, lease rentals and other carrying charges on non-producing properties.

### 2. SHARE CAPITAL, SHARE OPTIONS AND CAPITAL SURPLUS:

Changes in issued share capital and capital surplus during the year ended September 30, 1963 are summarized below:

	<u>Number of shares</u>	<u>Share capital (par value)</u>	<u>Capital surplus</u>
Balance at September 30, 1962 .....	1,920,922	\$6,723,227	\$10,207,394
Add—			
Issued for cash under options to employees .....	1,586	5,551	7,137
Issued in exchange for shares of—			
Farmers Mutual Petroleum Ltd.,			
a subsidiary company .....	37,732	132,062	264,124
Minerals Ltd., a 50% owned company .....	16,743	58,600	200,916
			<hr/>
			10,679,571
Deduct—			
Loss on sale of shares of Scurry-Rainbow Oil			
Limited held by a subsidiary company .....			4,871
			<hr/>
Balance at September 30, 1963 .....	1,976,983	\$6,919,440	\$10,674,700
			<hr/>

The consolidated capital surplus consists principally of the excess of the share capital and paid-in surpluses of companies amalgamated with Scurry-Rainbow through share exchanges over the par value of the Scurry-Rainbow shares issued in exchange, and the premium on shares issued for cash.

Options are outstanding at September 30, 1963 granting certain officers and employees and certain former officers and employees the right to purchase 95,309 shares of the Company's capital at prices of \$8.00, \$11.75 and \$15.05 per share. During the fiscal year, options on 35,000 shares were granted at \$11.75 per share and options on 1,586 shares were exercised by employees.

### 3. LITIGATION:

Certain litigation involving the effectiveness of individual producing and non-producing property titles and royalty interests is in progress in the Province of Saskatchewan. Management, after consultation with counsel, does not anticipate that such litigation will result in a material reduction of the companies' property interests or in the royalty income therefrom.





## Scurry-Rainbow Oil Limited

### SUMMARY OF ACREAGE

SEPTEMBER 30, 1963

Reservations and Permits .....	590,895 gross acres	511,661 net acres
Petroleum and Natural Gas Leases .....	* 1,869,256 " "	484,403 " "
Options on P. & N.G. Leases .....	8,172 " "	8,134 " "
Mineral Titles, Mineral Leases and Undivided		
Mineral Royalty in Freehold Land .....	1,673,848 " "	1,262,896 mineral acres
Oil and Gas Titles .....	141,432 " "	67,335 " "
Gross Royalty in Freehold Land .....	306,562 " "	58,764 royalty acres
Gross Overriding Royalty on P. & N.G. Leases .....	495,587 " "	61,468 " "
Gross Overriding Royalty on P. & N.G.		
Reservations and Permits .....	1,530,193 " "	248,109 " "
Potash Permits .....	102,734 " "	102,734 net acres

\* Duplicate gross acreage on Gross Overriding Royalty on P. & N.G. Leases — 49,763.

Minority interests in subsidiaries — 128,983 gross acres.

### Legend

Gas Pipeline —————

Proposed Gas Line - - - - -

Oil Pipeline —————

Proposed Oil Line - - - - -

Proposed Products Line ————

Areas in which Scurry-Rainbow  
has an Interest



**TENTH  
ANNUAL  
REPORT**

for the year ended  
September 30th,  
**1963**